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USSR Report

ECONOMIC AFFAIRS

No. 910

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USSR REPORT

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INSTRUCTION ON NET OUTPUT INDICATOR ISSUED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 11, Nov 79 pp 117-126

[Instructions on Procedure for Drafting and Implementing Net Output (Standard) Indicators in Planning, ratified 12 September 1979 by USSR Gosplan, the State Committee of the USSR on Prices, the USSR Ministry of Finance and the State Committee of the USSR for Labor and Social Problems and approved by the USSR Central Statistical Administration]

[Text] I. General Provisions

These instructions are intended to be used as a guide in drafting the net output (standard) indicator for the five-year and annual plans of ministries (or departments), associations and enterprises in accordance with Decree No 695 of the CPSU Central Committee and USSR Council of Ministers of 12 July 1979.

The use of the standard net output in planning is aimed at heightened production efficiency, better product quality and the fuller utilization of the opportunities and advantages of socialist production. The indicator of standard net output, as a reflection of newly created value, expresses the results of efforts made by labor collectives, eliminates all incentive to increase materials-intensiveness and aids in the objective evaluation of the performance of associations and enterprises.

The instructions define the standard procedure for calculating and approving net output standards and for using the indicator of standard net output in the system of indicators for planning and evaluating the activities of ministries (or departments), associations and enterprises.

1. Union and union republic ministries (or departments) of the USSR will convert to the use of the indicator of standard net output in the planning of industrial production at the beginning of the plan year with the approval of USSR Gosplan and USSR Goskomtsen [State Committee on Prices]. All of the associations and enterprises within the ministerial (or departmental) system will convert to the use of this indicator at the same time.

In some cases, individual all-union industrial associations and branch and territorial administrations will be authorized to convert to the use of this indicator, with the approval of USSR Gosplan, for the purpose of accumulating experience in the use of standard net output.

The conversion of republic ministries (or departments) will be accomplished in the same way, with the approval of the gosplans and goskomtsens of union republics.

The conversion of production associations (or enterprises) to the use of the indicator of standard net output will be carried out by order of the minister (or department head), with the simultaneous notification of USSR Gosbank and the USSR TsSU [Central Statistical Administration] of this action.

2. The conversion of ministries (or departments), associations and enterprises to the use of the standard net output indicator will be preceded by organizational, procedural and economic preparations for this work, which should be completed, as a rule, at least 3 months prior to the conversion and should include the completion of the following:

The drafting of branch procedural guides (or instructions) if necessary, and their approval by USSR Gosplan and USSR Goskomtsen;

The drafting of net output standards for the entire production assortment, and their approval according to the procedure specified in this set of instructions;

The calculation, with the aid of approved net output standards, of the necessary indicators for the base year, the coming year and subsequent years of the five-year plan, as well as the anticipated fulfillment of the plan for the current year (in terms of the volume of standard net output, labor productivity determined on this basis, and so forth);

The organization of instructive and explanatory work in the collectives of enterprises, associations and ministries (or departments).

3. In accordance with the economic content of the standard net output indicator, it will be used to determine the dynamics (or growth rates) of physical production volume and labor productivity, to plan the wage fund and to monitor its use. The standard net output indicator will also be used in calculating the return on capital and other indicators. A normative specified in the five-year plan (with a year-by-year breakdown) in a percentage of total standard net output will be used as the basis for depositing part of the total profit in the unified fund set up in ministries and departments for the development of science and technology.

4. For ministries (or departments), associations and enterprises that have converted to the use of the standard net output indicator, performance

evaluations and the calculation of the results of socialist competition in plan fulfillment in terms of production volume, labor productivity and return on capital will be based on the standard net output indicator. The indicator of labor productivity growth, calculated in line with the standard net output, will be used in determining the total material incentive fund derived from profits.

The issuance of funds for the payment of wages by USSR Gosbank establishments will be commensurate with plan fulfillment in terms of standard net output.

5. In the plans of ministries (or departments), associations and enterprises which have converted to the use of the standard net output indicator, the indicator of commercial output in comparable prices will be an estimated figure. This indicator will not be used to evaluate the performance of the ministries (or departments), associations and enterprises.

6. To evaluate the fulfillment of obligations to deliver items designated for production and technical use and consumer goods in line with the product list (in the proper assortment), with contracts and with orders for the manufacture of export items by associations and enterprises which have converted to the use of the standard net output indicator, product sales volume will also be stipulated in annual plans.

II. Drafting and Approval of Net Output Standards

7. The net output standard represents part of the wholesale price of an item, including wages, deductions for social insurance and profits. The procedure for drafting net output standards and the dates for drafting and approving them are the same as those for wholesale prices.

Net output standards are approved by USSR Goskomtsen, the goskomtsens of union republics, the councils of ministers of autonomous republics, oblast (or kray) ispolkoms of soviets of people's deputies, ministries, departments, production associations (or enterprises) and other organizations for the particular products they are authorized to price.

The price-setting agency will simultaneously approve net output standards.

8. Net output standards are drafted and approved for the entire assortment of finished items, semimanufactured items, spare parts and all operations and services of an industrial nature, designated for outside sale, for which prices are set.

9. In branches using zonal (or belt) prices, net output standards will be set in relation to the zonal (or belt) prices in effect for the manufacturing enterprises.

10. The volume of standard net output is established on the basis of comparable standards in accordance with the procedure specified for comparable wholesale prices.

When wholesale prices of individual items are being changed for reasons unconnected with a change in expenditures of labor on their manufacture (substitutions in the materials and components used in their manufacture or a change in the prices of these resources), the related net output standards are generally not revised.

The net output standards for items with temporary wholesale prices, prices with a limited term of validity, single-order prices and experimental model (or batch) prices will be established for the term these prices are in effect. When these prices are revised, net output standards will also be revised.

11. As a rule, net output standards will be branch standards. Net output standards will reflect average branch expenditures of live labor, determined according to the procedure established for the calculation of wholesale prices, on the basis of progressive labor requirement standards.

Net output standards will apply to products manufactured by the production associations (or enterprises) of ministries (or departments) whose products are covered by the wholesale prices in the corresponding price list.

12. The net output standard for an item is calculated with the aid of projected (or planned) overhead costs, used as the basis for wholesale pricing by price-setting agencies. Materials submitted for the drafting of wholesale prices will include the necessary data for the calculation of net output standards.

13. The amount of wages, with deductions for social insurance, to be included in the net output standard will be determined by summing up the following:

a) the wages of production workers, with deductions for social insurance (calculated by adding together all expenditures on the following elements of production cost estimates: "Base wage of production workers," "Supplementary wages of production workers" and "Social insurance deductions from wages of production workers");

b) the wages, with social insurance deductions, of service and administrative personnel in industrial production (estimated with the aid of coefficient K_3).

14. Coefficient K_3 is the ratio of the wages of service and administrative personnel at a production association (or enterprise) to the wages of production workers:

$$K_3 = \frac{ZP_i - ZP_{pr}}{ZP_{pr}} ,$$

Where ZP_i signifies the base and supplementary wages of industrial production personnel (according to the data in Form 5, Line 060 of the annual report); ZP_{pr} signifies the base and supplementary wages of production workers (according to data in Form 6, Line 050 and Line 060 of the annual report).

The difference between the wages of all industrial production personnel and the wages of production workers will constitute the wages of service and administrative personnel.

Example: Calculation of coefficient K_3 for a production association (or enterprise).

1. Base and supplementary wages of industrial production personnel--652,000 rubles.

2. Base and supplementary wages of production workers--250,000 rubles.

3. Coefficient K_3, indicating the relationship of service and administrative wages to wages of production workers:

$$\frac{(652-250)}{250} = 1.61.$$

Data on the wages of industrial production personnel and the wages of production workers, as well as the calculation of coefficient K_3, are part of the process of estimating overhead costs for the same report period for which materials are submitted to substantiate wholesale prices and net output standards.

15. The profit subject to inclusion in prices and net output standards is calculated according to profitability standards approved according to price lists (or groups) of products in relation to overhead costs with the exclusion of direct material expenditures (the cost of raw materials, fuel, energy, other materials, semimanufactured items and components), in accordance with the methodology used by the agencies setting prices for this type of product.

16. In accordance with the elements set forth in points 13, 14 and 15 of these instructions, the net output standard (NChP) for a specific item is determined according to the following formula:

$$NChP = Z_{pr}K_3 + P_n,$$

where Z_{pr} signifies the base and supplementary wages of production workers with deductions for social insurance in the projected (or planned) overhead cost of the item; P_n signifies profit established on the basis of the profitability standard (Point 15).

Example: Calculation of net output standard for item.

1. Base and supplementary wages of production workers in estimated cost of producing item--2,450 rubles.

2. Deductions for social insurance from wages of production workers in estimated cost of producing item--220 rubles.

3. Coefficient K_3 (Point 14)--1.61.

4. Cost of producing item minus direct material expenditures--11,424 rubles.

5. Profitability standard (Point 15)--35 percent.

6. Standard profit $(\frac{\text{Line 4 x Line 5}}{100})$ = 3,998 rubles.

7. Net output standard (Line 1 + Line 2) + (Line 1 + Line 2) x 1.61 + + Line 6 = (2,450 + 220) + (2,450 + 220) x 1.61 + 3,998 = 10,967 rubles.

The calculation of projected net output standards is part of the estimate documents submitted for an item to substantiate the projected wholesale price of the item.

17. If the particular product is manufactured at two or more enterprises, the net output standard is calculated as a branch standard in accordance with the current procedure for setting wholesale prices--that is, on the basis of average overhead costs in the branch, including the branch average wage.

Example: Calculation of the branch net output standard for an item produced by several enterprises.

18. If the cooperative conditions of individual production associations (or enterprises) deviate substantially from average conditions, the ministries (or departments) submit proposals to price-setting agencies on the proper differentiation of branch net output standards with consideration for differences in the level of wages due to the different cooperative conditions envisaged in the plan.

Price-setting agencies will examine these proposals and, if necessary, approve differentiated net output standards for individual production associations (or enterprises).

If the cooperative conditions of individual production associations (or enterprises) should change after wholesale prices and net output standards have been set, ministries (or departments) will submit proposals to price-setting agencies, including calculations and evidence, on a change in existing net output standards. If the production association (or enterprise) has begun to purchase semimanufactured items, parts, elements and components that were manufactured by the association when net output standards were set, the approved standards will be reduced at the request of the ministries (or departments) by the net output standards set for these semimanufactured items, parts, elements and components manufactured in associations (or enterprises) specializing in their production.

19. The procedure envisaged in Point 18 can be used for the differentiation of branch net output standards in other circumstances--for example, when the plan envisages the manufacture of a non-specialty item.

20. Production associations (or enterprises) which converted to the use of the net output standard indicator in 1973-1979, prior to the institution of new wholesale prices and net output standards in accordance with Decree No 697 of the USSR Council of Ministers of 12 July 1979, will use existing standards.

Ministries (or departments) which converted to the use of the net output standard indicator prior to the approval of standards by price-setting agencies, will draft and approve net output standards, using these instructions, and calculations for projected wholesale prices to be put in effect in the 11th Five-Year Plan, as a guide. The procedure for drafting these standards can be clarified with the approval of USSR Gosplan and USSR Goskomtsen.

After new wholesale prices and their related net output standards have been set, the associations (or enterprises) of all ministries (or departments) implementing standard net output will convert to the use of new standards and recalculate all related plan and base indicators.

21. Net output standards for new items are calculated according to the overhead cost figure used in the calculation of the wholesale price--that is, without consideration for extra expenditures on incorporation, covered by the unified fund for the development of science and technology, excluding products for which incorporation costs have been included in the overhead cost and wholesale price. For these products, the estimated incorporation cost is used as a basis for calculating the base and supplementary wages of production workers, which are added to the wages of production workers in corresponding items of the estimated cost of producing this product. In these cases, net output standards are calculated with consideration for total expenditures of labor on the incorporation and manufacture of the item.

22. Net output standards in surcharges and supplements to list wholesale prices and discounts on these prices for changes in design and manufacture for export or tropical conditions, and other surcharges and discounts involving additional expenditures of labor and included in lists and supplementary lists of wholesale prices, are calculated directly, on the basis of the elements of net output present in them (wages and so forth). These standards will be calculated and approved by the agencies setting the corresponding surcharges, supplements and discounts.

Surcharges and supplements for changes in the cost of materials and components are not reflected in net output standards because they do not change expenditures of labor.

23. For products whose manufacture is planned and recorded only in cost terms (operations of an industrial nature and so forth), net output standards will be calculated and approved on the basis of the estimate at the same time as wholesale prices. If there are technical difficulties in setting specific net output standards due to a large and changing variety of operations of an industrial nature or other production, proportional net output standards can be set for this group in the form of stable standard coefficients for each enterprise, indicating the ratio of net output to the cost of production in enterprise wholesale prices for the 2 years preceding the conversion to the use of the standard net output indicator. In this process, the standard coefficient for each type of production cannot exceed 1. The calculation of the standard coefficient is illustrated in Supplement No 2.

These standard coefficients are drafted and approved by the ministry (or department) for each production association (or enterprise).

24. For products whose manufacture is planned only in cost terms but the records on which are kept in cost and natural terms (spare parts, interplant cooperative deliveries and so forth), standard coefficients, set in accordance with Point 23 of this set of instructions, can be used to determine the planned volume of standard net output. Specific standards are used to determine the actual volume.

25. For products whose output is included in the commercial output in estimated cost excluding profits (major and minor repairs of plant equipment and means of transport and so forth), net output standards or corresponding standard coefficients are also calculated without the inclusion of profits.

26. Enterprises manufacturing products with a long production cycle, for which changes in remaining incomplete production are included in comparable prices in production volume, are authorized to set standard coefficients of net output for incomplete production, which are calculated as the ratio of standard net output volume for all items with a long production cycle to the corresponding total commercial output. These coefficients are calculated and approved by a superior organization for each production association (or enterprise) on the basis of planning computations for each year separately. These coefficients will be used in plan compilation and production accounting procedures.

For production associations (or enterprises) whose products differ substantially in terms of materials-intensiveness, particularly during different stages of production, the volume of standard net output in total incomplete production will be specified in plans and records by means of a simple inventory of each type of product for which changes in remaining incomplete production are recorded.

27. Specific features of the drafting of net output standards in foundries and forging and pressing production units which manufacture finished products are reflected in branch methods of drafting and implementing standards for products included in price list 25-01 "Wholesale Prices of Foundings, Forgings, Hot Forgings, Wooden Modular Units and the Rough Finishing of Blanks."

28. The procedure for drafting standards for separate production units is illustrated in Supplement No 3.

29. Ministries (or departments) will provide for the following:

a) the economic substantiation of projected net output standards drafted within the ministerial (or departmental) system, and the verification of materials submitted for their substantiation, in order to exclude the possibility of distortion in standards;

b) the accurate use of net output standards for the products and services of subordinate production associations (or enterprises) and their approved standards.

For this purpose, the ministry (or department) will regularly oversee the setting and implementation of net output standards in production associations (or enterprises) and take timely measures to correct excessive net output standards and other deviations from this procedure.

Directors and deputy directors of economic affairs (chief economists), chiefs of planning departments and the chief (or senior) accountants of production associations (or enterprises) will ensure the validity of materials submitted to substantiate net output standards, the accuracy of standards set by production associations (or enterprises) within their jurisdiction and the accuracy of their implementation. Net output standards set in violation of this procedure are subject to cancellation, and indicators, including fund-formation guides, calculated on the basis of invalid standards are subject to recalculation in the proper manner.

30. Extradepartmental control over the accuracy with which net output standards are set and implemented will be carried out in the same manner and by the same agencies as control over price setting and implementation.

III. Planning and Recording of Volume Standard Net Output and Indicators Calculated on Its Basis

31. Volume standard net output is calculated for all components making up the industrial product: finished items, semimanufactured items intended for outside use, outside operations of an industrial nature and operations

covered by the unified fund for the development of science and technology, the capital repair and modernization of equipment by enterprise workers, changes in remaining incomplete production and special technological equipment of in-house manufacture at the end and beginning of the plan period (increase or decrease) at all enterprises where these are included in total output, and other elements included in the total product in accordance with the Standard Instructions on the Compilation of Reports at Industrial Enterprises on Plan Fulfillment in Terms of Output (points 25 and 27), ratified by the USSR TsSU on 11 May 1971.

Deviations envisaged for some branches of industry, in accordance with which total commercial output includes the cost of in-house produced semi-manufactured items used in the manufacture of finished items, as an exception over and above total cost, do not apply to the standard net output indicator.

The finished condition of items included in the volume of standard net output will be determined according to this set of instructions.

32. For items made from the client's materials (paid for or not paid for by manufacturing enterprises), standard net output volume will be calculated according to the general procedure--that is, by multiplying the number of items in natural terms by existing standards.

33. The volume of standard net output in plans and reports of production associations (or enterprises) will be determined through direct calculation:

For finished items and other products planned in natural terms--by multiplying production volume in natural terms for each type of item by the existing net output standard;

For products planned and recorded only in cost terms--by multiplying this volume in wholesale prices (or estimated cost) by the standard net output coefficient set for each group and type of product;

For incomplete production with a long production cycle--by multiplying changes in remaining incomplete production by the standard coefficient envisaged in Point 26 of this set of instructions, or by a simple inventory of each type of product with the subsequent addition of results. Examples of these computations are presented in supplements 4 and 5.

Total standard net output for an industrial association and ministry (or department) is calculated on the basis of the data of production associations and enterprises.

34. The volume of standard net output is specified in five-year plans with a year-by-year breakdown. For the more precise stipulation of the volume of standard net output, calculations are made on the basis of the broadest possible variety of items, so that at least 80-85 percent of the

total output of the ministry (or department) will be included in direct calculations. For products that are not included, growth rates are planned according to the growth rates of output calculated in the direct manner, with consideration for production growth in past years.

Five-year-plan assignments concerning standard net output will be set in the form of growth rates for each year of the five-year plan in cumulative figures.

Since the indicator of commercial output in comparable prices is used in several branches along with standard net output, and since it is necessary to maintain the dynamic progression of industrial production over a long period of time, the total industrial production volume, the total product of groups "A" and "B" and the sectorial structure of industrial production will be specified in terms of commercial output in comparable prices in plans and reports on all administrative levels. The indicator of commercial output will be estimated for branches in which standard net output growth has been stipulated.

35. The volume of standard net output in annual plans is broken down by quarters on the basis of five-year-plan assignments for each year. In production associations (or enterprises), standard net output is calculated for the total assortment of items planned for production.

Assignments concerning the standard net output in annual plans, if they are not lower than assignments in the five-year plan, are set by ministries and departments of the USSR and union republic councils of ministers.

If indicators in the draft annual plan of a ministry or department of the USSR or union republic are lower than those set for the corresponding year of the five-year plan, they must be approved by the USSR Council of Ministers at the request of the corresponding ministry (or department) or union republic council of ministers and USSR Gosplan.

All ministries and departments of the USSR and union republic councils of ministers using the indicator of standard net output will submit estimate materials at the same time as the draft annual plan, stipulating their projected standard net output volumes and growth rates.

36. When the draft plans of production associations (or enterprises) of industrial associations are examined, the ministry (or department) will verify the accuracy of net output standards, particularly their correspondence to standards envisaged in wholesale price lists. The accuracy of differentiated net output standards, reflecting differences in production conditions, will be specially checked.

If changes are made in the draft plans in manufacturing output in natural terms, ministries and departments of the USSR and union republic councils of ministers will recalculate the standard net output in the draft plans of associations and enterprises.

37. When draft plans are drawn up for the standard net output of a branch, a ministry (or department) or an industrial association, and when draft plans submitted by production associations (or enterprises) are verified, average (group) net output standards can be used, calculated for groups of similar products (for example, groups of metal-cutting tools, forging and pressing equipment, electric engines, generators and so forth), in the same way that average group wholesale prices are estimated. In the event of pronounced change in the structure of items making up the group, the average (or group) standards will be made more precise.

Average (or group) net output standards will be used mainly in drawing up five-year plans.

38. Ministries (or departments) and industrial associations will check the soundness of draft plans of production associations (or enterprises) in terms of standard net output volume and growth rates to exclude the possibility of excessively low assignments for these indicators. The projected change in labor productivity and number of workers should be taken into account in this process.

39. Total standard net output for the base period is determined by a simple inventory of the entire variety (or assortment) of products, including items which have been withdrawn from production but will be part of the period's output.

If no net output standards have been set for items withdrawn from production, these standards will be calculated by production associations (or enterprises) and approved by a superior organization. If there is a great variety of items withdrawn from production, standards can be drafted and implemented for groups of similar items rather than for each individual item.

40. Ministries and departments of the USSR are authorized, with the consent of USSR Gosplan and the USSR TsSU, to plan and record some types of products which are estimated only in cost terms in two units of measurement: comparable prices and net output standards.

The evaluation of plan fulfillment in terms of the output of these types of products will be made with the aid of the net output standard, and the indicator of output in comparable prices will be used for summary and balance computations.

41. The planning of labor productivity as standard net output per average industrial production staff member will be accomplished in accordance with the usual set of methods and with a view to the following growth factors: elevation of technical production standards; improvement in management and organization of production and labor; change in production volume; branch and other factors.

If the normative method is used to plan the wage fund, production associations (or enterprises) will be assigned wage expenditure standards in kopecks per ruble of standard net output. The planned wage fund for industrial production personnel will be calculated by multiplying planned total standard net output by the wage expenditure standard stipulated for the production association (or enterprise).

In all other cases, the planned wage fund will be calculated according to the current method, on the basis of the number of industrial production personnel, with a view to the established limit and the planned average wage of workers.

Due to the more rapid rise of labor productivity in comparison to the average wage, the wage fund figure per ruble of standard net output should be lower than in preceding periods.

43. The volume of standard net output and labor productivity indicators calculated on this basis are reported for statistical purposes on the following forms:

On Form 1-p (routine) "Report of Production Association (or Combine) and Industrial Enterprise on Production Output and Number of Industrial Production Personnel and Workers" and on Form 1-p "Report of Production Association (or Combine) and Industrial Enterprise on Fulfillment of Production Plan," planned and actual data on the standard net output indicator are entered on line 03;

On Form 8 of the annual report, planned and actual data on the standard net output indicator are entered on line 03 of Section I and on line 32 of "Information";

On Form 2-t (short) "Short Report of Production Association (or Combine) and Industrial Enterprise on Fulfillment of Labor Plan" and Form 2-t (quarterly) "Report of Production Association (or Combine) and Industrial Enterprise on Fulfillment of Labor Plan";

Standard net output data are entered on line 47 of "Production Volume in Terms of Indicator Used for Planning Labor Productivity," corresponding to report indicators on Form 1-p (routine) and Form 1-p;

Planned and actual data on standard net output per worker are entered in all columns of line 50 of "Production Output per Industrial Production Staff Member in Terms of Indicator Used for Planning Labor Productivity";

On Form 9 of the annual report, data on the volume of standard net output are entered on line 47 of Section I; planned and actual data on average annual standard net output per worker are entered on line 50 of Section I.

These line numbers apply to report forms for 1979 and 1980.

This procedure for filling out reports will go into effect at the time when production associations (or enterprises) convert to the use of the standard net output indicator in the planning and evaluation of production performance.

44. When a ministry (or department) converts to planning according to standard net output after the five-year plan has been ratified, the total standard net output will be calculated for all remaining years of the current five-year plan in accordance with plan assignments for production output in natural terms and established net output standards. Five-year-plan assignments concerning production growth and labor productivity for all remaining years will be reapproved if necessary in the usual manner, in accordance with the growth rate of standard net output.

To determine the growth rate of standard net output for remaining years of the current five-year plan, corresponding standards are used as a basis for determining actual volumes of net output for the year preceding the conversion to this indicator, including monthly calculations for this year.

The results of five-year-plan fulfillment will be determined cumulatively from the beginning of the five-year plan, even if the conversion to standard net output is not made at the beginning of the five-year plan--by multiplying the growth rate of commercial output in comparable prices by the growth rate of standard net output for the period when these indicators were implemented.

45. If a ministry (or department) converts to planning in terms of standard net output after the ratification of the plan for the current year, the volume of standard net output will be calculated for the entire year on the basis of the ratified plan for production output in natural terms and established net output standards. If there is a difference between the growth of commercial output in comparable terms and the calculated growth rate of standard net output, annual plan assignments for production growth and labor productivity will be reapproved in the usual manner.

46. Ministries (or departments), associations and enterprises will regularly analyze the results of the use of these standard net output indicator, particularly with respect to its effects on production efficiency, the compilation and fulfillment of production plans in terms of assortment, the increased manufacture of new and progressive items, the reduction of materials-intensiveness and the utilization of the wage fund.

This analysis will be used as a basis for planning measures to effect the further enhancement of production efficiency and improve the practice and methods of implementing the net output standard.

Supplement No 1

(in rubles)

No	Indicator	Enterprises		
		A	B	C
1.	Number of items of this type manufactured by enterprises	5	10	20
2.	Base and supplementary wages of production workers (with deductions for social insurance) in estimated cost of producing item	33	15	11
3.	Coefficient K_3, indicating ratio of wages of service and administrative industrial production personnel to wages of all production workers of the association (or enterprise)	1.9	2.5	2.2
4.	Base and supplementary wages of service and administrative industrial production personnel (with deductions for social insurance) (line 2 x line 3)	62.7	37.5	24.2
5.	Wages of industrial personnel with deductions for social insurance in cost of producing item (line 2 + line 4)	95.7	52.5	35.2
6.	Average branch wages of industrial production personnel with deductions for social insurance in cost of producing item* $\frac{52.5 \times 10 + 35.2 \times 20}{10 + 20} = 41$			
7.	Cost of producing item minus direct material expenditures	148	125	100
8.	Average branch cost of producing item minus direct material expenditures* $\frac{125 \times 10 + 100 \times 20}{30} = 108.3$			
9.	Standard profitability in percentage of production cost minus direct material expenditures	35	35	35
10.	Standard profit $\frac{\text{line 8} \times \text{line 9}}{100}$ $\frac{108.3 \times 35}{100} = 37.9$			
11.	Branch net output standard (line 6 + line 10) 41 + 37.9 = 78.9			

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* Average branch wages and cost of producing item are calculated only on the basis of the data of enterprises B and C, which manufacture the major portion of this type of item (86 percent).

Supplement No 2

Example of Calculation of Standard Coefficient of Net Output for Products Planned in Cost Terms

(according to reports for 2 years preceding conversion to use of standard net output indicator)

(in thousands of rubles)

No	Indicator	Spare parts	Industrial operations	Other production
1.	Production volume in enterprise wholesale prices	2,375	495	440
2.	Base and supplementary wage of production workers with deductions for social insurance	400	201	70
3.	Coefficient K_3, reflecting the ratio of service and administrative personnel wages to the wages of production workers	1.61	1.61	1.61
4.	Wages of industrial production personnel with deductions for social insurance in overhead costs of commercial output subject to inclusion in total standard net output (line 2 x (1 + K_3)	1,044	525	183
5.	Profit from sale of commercial output	475	45	52
6.	Total standard net output (line 4 + + line 5)	1,519	570	235
7.	Standard net output coefficient:			
	a) estimate (line 6 : line 1)	0.64	1.15	0.53
	b) subject to approval	0.64	1.00	0.53

Supplement No 3

Procedure for Calculating Intraunit Standard Net Output

1. To ensure the uniformity of plant and intraunit planning, the standard net output indicator is recommended for use in intraunit planning and cost accounting.

2. When intraunit net output standards are being drafted, the peculiarities of the system of intraplant planning and cost accounting at each enterprise must be taken into account.

3. When estimate prices are used at enterprises, they should be replaced with intraunit net output standards for total shop output (machine elements, parts, components and so forth). In those cases when intraunit planning was based on standard labor-intensiveness or standard wages prior to the conversion to the net output standard, the conversion of intraplant planning to standard net output will not be mandatory.

4. Intraunit standards are drafted by dividing the standard for the total finished item among its elements (parts and components).

5. The intraunit standard net output for the element (part or component) is estimated by distributing the standard net output for the item in accordance with the proportion accounted for by the wages of production workers for this unit of product in the total base wages of production workers for the item in accordance with the following formula:

$$NChP_k = \frac{NChP_i}{Z_i} Z_k,$$

where $NChP_k$ stands for standard net output for the machine element;
$NChP_i$ stands for plantwide standard net output for item;
Z_i stands for base wage of workers for item;
Z_k stands for base wage of workers for machine element.

When this method is used, the sum of net output standards for all elements (or parts) is equal to the plantwide net output standard for the item.

Supplement No 4

Estimation of Total Standard Net Output in Change in Remaining Incomplete Production, Using Standard Coefficient

No	Indicator	Thousands of rubles
1.	Change in remaining incomplete production in terms of overhead cost	+3,109
2.	Coefficient for converting overhead cost of increase in incomplete production into wholesale prices	1.2
3.	Increase in remaining incomplete production in wholesale prices (line 1 x line 2)	+3,730
4.	Standard coefficient for converting increase in incomplete production in wholesale prices into volume of standard net output	0.296
5.	Total standard net output in change in remaining incomplete production (line 3 x line 4)	+1,104

Supplement No 5

Direct Calculation of Total Standard Net Output in Change in Remaining Incomplete Production for a Specific Item

No	Indicator	Thousands of rubles
1.	Overhead cost of remaining incomplete production:	
	at beginning of plan (or report) period	1,500
	including base wages of production workers	250
	at end of plan (or report) period	5,600
	including base wages of production workers	800
2.	Change in base wages of production workers in total overhead cost of incomplete production	+550
3.	Net output standard	2,000
4.	Planned (in current plan) base wages of production workers per unit of item	900
5.	Standard net output coefficient for item (line 3 : line 4)	2.22
6.	Total standard net output in change in remaining incomplete production (line 2 x line 5)	+1,221

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IMPROVEMENT OF PRICE CONTROLS URGED

Moscow PLANOVOYE KHOZYAYSTVO In Russian No 11, Nov 79 pp 100-105

[Article by A. Savin, sector head of the Scientific Research Institute of Price-Setting of the State Committee of the USSR on Prices: "Pricing as an Economic Means of Heightening Social Production Efficiency"]

[Text] In all stages of economic construction, prices have been used by the Soviet State as one means of economic control, providing for the use of price controls to direct and stimulate the development of production and the economy as a whole in the necessary directions, proportions and qualitatively macroparameters.[1] This function of prices stems primarily from the effects of the law of value under socialist economic conditions, which exerts definite regulatory influence on the economic aspects of [illegible]al production.[2]

The use of the pricing system in socialist economic planning and management promotes the achievement of the necessary cost proportions and the balanced development of all branches and spheres of the national economy. The planning of national economic development and the assessment of its effectiveness on all levels can only be accomplished by measuring the value of past (or planned) expenditures and derived (or anticipated) results (or impact). Moreover, the ability of these calculations and evaluations to describe economic processes accurately depends on the complete and objective reflection of socially necessary expenditures on the production of various goods and services in prices.

Unprecedented progress in science and technology, reflected in the annual design and development of thousands of new models of machinery, equipment, automatic devices, semimanufactured goods and so forth, and the tremendous scales and heightened complexity of the interrelated economic development of all branches and spheres of the national economy have given prices a new function in the mature socialist economy--a normative function, which can take independent forms, even though it stems from the accounting function, is related to it and supplements it. This function is apparent in the following guidelines for the improvement of pricing:

The setting of price limits for new types of equipment and complex raw materials, indicating the maximum price of the new product;

The calculation and implementation of long-range prices as an independent guide in the preparation and approval of major technical designs, projects and programs and the forecasting of long-range development in branches of the national economy.

The augmentation of the role of prices as material resource expenditure standards and indicators of the operational efficiency of self-funding collectives within a particular 5-year period.

Besides this, on the basis of the use value of various goods and services and the national economic impact of their consumption, prices indicate the quality and technical level of the goods and operations of production associations and enterprises. If prices reflect this impact fully and objectively, they will stimulate technological progress in the national economy, improve the quality of work on all production levels and ultimately heighten the efficiency of social production. This is the reason for the increasing significance of the stimulating function of prices in the national economy.

Finally, the pricing system, its planning and its development, in conjunction with the financial system, largely determine the scales and directions of the redistribution of the total national economic surplus product (national income and the income of branches and enterprises) among branches and spheres of the national economy and result in the formation of accumulation and consumption funds.

Let us examine the basic developmental trends in each of the abovementioned, interrelated functions of today's pricing system.

The effectiveness of the accounting function depends largely on the maximum association of prices with socially necessary expenditures of labor on the production of the particular item. One way of solving this problem consists in the development of methods to calculate socially necessary production costs as the most important and decisive element of social production expenditures. The development of the accounting function of prices will also depend on the guaranteed stability of wholesale prices with simultaneous flexibility in the current pricing system.

Essentially, the problem is that the creation of normal conditions for the objective calculation, planning and assessment of the economic operations of branches, associations and enterprises requires stable and basically constant wholesale prices for the entire 5-year period. This kind of stability can be ensured by substantiating prices more soundly and by reflecting in them all socially necessary expenditures of labor with consideration for possible changes in production and reproduction outlays.

At the same time, the rapid and uneven development of the technological revolution in some branches is giving rise to a significant disparity between the prices that are set and the changing socially necessary expenditures of labor on the production of many goods. This particularly applies to machine building, the chemical industry, instrument building, electronics and other industries. In this case, prices cease to reflect the savings derived from the production of more progressive goods, their improved quality and their heightened effectiveness. The calculation and assessment of the operational results of production collectives cease to be objective. In the past, this kind of contradiction has been resolved through the more frequent (every 2 or 3 years) revision of the prices of these goods. This, however, disrupts the stability of planning indicators, complicates the comparison of operational results and diminishes the significance of the plan in general. The solution to this objective contradiction lies in a system in which production outlays and prices take shape and change in such a way as to maintain, as specified in the decree of the CPSU Central Committee and USSR Council of Ministers "On the Improvement of Planning and the Augmentation of the Economic Mechanism's Influence on Production Efficiency and Operational Quality," adopted 12 July 1979, stable wholesale prices and rates for the entire 5-year period. The combination of guaranteed stability and flexibility in the pricing system will necessitate much more reliance on planning principles in the national economy.

The efficient use of the planning and accounting functions of prices for the reinforcement of socialist economic development according to plan and the enhancement of economic efficiency is also connected with the extensive use of a system of accounting prices in order to regulate cost accounting relations within associations and enterprises and establish uniform economic conditions for their work. The use of these prices would make it possible for individual associations and branches to use price levels and correlations consistent with the specific economic conditions of the work of certain collectives without any change in the established price levels and correlations.

The exercise and improvement of the normative function of prices can be accomplished primarily with the aid of price limits. This particularly applies to project planning, design and technological organizations and manufacturing enterprises, where these prices promote the development of new types of equipment and commodities and the design and incorporation of effective products.

The instructions worked out by the Scientific Research Institute of Price-Setting, on the procedure for coordinating the development, approval and institution of technical specifications and prices for machine-building products designated for use as production equipment, which were put in effect by the State Committee of the USSR on Prices on 1 January 1977, and a similar set of instructions concerning standards and prices in the raw material branches of heavy industry, ratified in June 1978, have made price limits more effective and have established them in their role as maximum expenditure standards and guarantees of a savings in the development and use of new products in the national economy. For the first time in the practice of standardization, these instructions include a mandatory supplement to technical specifications and standards--an information chart indicating the economic effectiveness of the prices of new items, which is fulfilling one of the main economic conditions for the achievement of efficiency--the economic substantiation of new equipment and products in the initial, rather than the final, stage of development.

If price limits and list prices are highly substantiated, they can serve as the economic standards required for the determination of the efficiency of major technical decisions and programs during the stages of compilation and implementation.

The improvement of the procedure and practice of long-range wholesale pricing is one important way of developing the normative function of prices. This would allow for the use of these prices for the major types of products as economic standards of expenditures and cost dynamics in branches of the national economy and the basic cost proportions of reproduction in the future. The projection of existing price levels and correlations into the future as part of the calculation of basic economic indicators of branch development is inadequate for the planning and assessment of the economic impact of long-range national economic programs or the forecasting of economic development.

Reinforcement of the stimulating role of prices in the acceleration of technical progress in the production sphere, the improvement of product quality, the renewal of the assortment of goods and services and the ultimate enhancement of the effectiveness of all special production is now a particularly intense process. In recent years, the USSR State Committee on Prices, Moscow research institutes engaged in the study of price-setting, several pricing laboratories of branch institutes and others have accomplished much in this field.

The more highly developed of the pricing instruments used in the reinforcement of the stimulating role of prices are wholesale price supplements (or surcharges) and discounts. These instruments have been made even more significant by the issuance of the recent decree on the improvement of the economic mechanism. This type of pricing instrument includes the so-called graduated, or sliding, price scales, which are used in machine building in particular. The difference between them lies in the size of the surcharge incentive or discount penalty in relation to the price based on the standard level of profitability.

Supplements (or surcharges) are added to the wholesale prices of new products with quality and efficiency indicators exceeding those envisaged in documents on technical standards (state standards and technical specifications). Discounts, on the contrary, are set for substandard goods. This system is used in virtually all branches and spheres of the national economy.[3] For example, during a period of only 9 months in 1976-1977, the USSR State Committee on Prices approved 4,200 wholesale prices for new and modernized items of the highest quality category; the average surcharge was equivalent to around 5 percent of the wholesale price.

An important way of reinforcing the stimulating role of prices consists in the distribution of total profits among specific items in accordance with labor and material requirements and operational efficiency; this can be done by setting different profit standards for various items according to the principle that improved, more progressive and more effective products have a high profit standard. The profit standard can be calculated in various ways, but the most preferable are the method by which the total profit included in the price is proportionally related to the cost of labor expenditures (or processing) and, when necessary, a combination of this method and others.

We feel, however, that in the majority of cases the most progressive way of guaranteeing the stimulating power of prices consists in the establishment and improvement of wholesale price supplements (and discounts). In the first place, although the higher profitability of items will increase the profits of an enterprise, it will have no direct effect on the economic incentive funds of the production collective. Furthermore, it may even have no connection whatsoever with financial incentives if the enterprise is already earning the standard (or planned) profit without raising the profitability levels of individual items. If, however, it increases total planned profits for an enterprise, the surplus profit can be deducted and deposited in the budget as net surplus.

In the second place, the charging of wholesale price supplements provides workers with stronger material and moral incentives due to the current practice of depositing part of the surcharge for products of higher quality and for progressive items.

Besides this, the supplement (or discount) is the most graphic and productive way of associating financial incentives with the stimulating factor--the price surcharge (particularly when these supplementary payments are connected with the sale of products with the Mark of Quality). The graphic and productive features of supplements (or discounts) are also present in their dependence on changes in one of the indicators of collective operations--product sales volume.

Finally, the very fact that a price has been supplemented (or discounted) gives the consumer a better idea of the utility characteristics of the product than a higher price in general (or a higher profitability level in general).

The reinforcement of the stimulating effect of prices on technological progress, product quality and production efficiency depends considerably on other factors, particularly the standardization of products. To improve pricing, it is important to reach a level in which technical documents for items designated for production and technical use (standards and technical specifications) objectively, adequately and precisely reflect the final utility characteristics and parameters of the products. Product quality and the economic impact of product use in the national economy can then be determined more accurately. At present, in many cases (in machine building, metallurgy, the chemical industry and others), technical documents and standards do not meet these requirements, and this limits the stimulating function of prices with respect to many types of products and production.

The need to reduce the price level per unit of positive impact was underscored at the 25th congress. The setting of prices and surcharges in amounts that raise the profitability level, encourage the producers to manufacture progressive and high-quality items and, on the whole, reduce price level per unit of positive impact, which is in the interest of the consumer, signifies an actual increase in the cost-accounting and national economic effectiveness of production and incorporation of new products. In this connection, it is extremely important to choose indicators of positive impact accurately and soundly and to study its structure and dynamics for the calculation of prices and surcharges.

This problem is directly related to the need for a sound and reliable estimate of the economic impact during the setting of prices and supplementary charges. At present, this is accomplished through customer confirmation of the impact. But this has become a complex and lengthy procedure. It would be better, it seems to us, to work out precise methods for determining the national economic impact of production and products; to develop sound principles for the division of the total amount among manufacturers and consumers; to calculate indicators of the estimated positive impact with the aid of technical specifications and standards, which must be brought in line with the need of the pricing system and the requirements of technological progress (with consideration for product quality). The fulfillment of these conditions would heighten the validity and stimulating power of prices, as well as surcharges (or discounts).

It is also fundamentally important to improve the unit (or object) of pricing. In some branches of industry (ferrous and nonferrous metallurgy, heavy machine building and others), the output unit--ton, kilogram--is the unit of pricing, as well as the production accounting and planning unit. This approach loses sight of the most important qualitative characteristics of the product. For example, a ton of cold-rolled fine sheet metal is not the same as a ton of hot-rolled thick sheet metal, neither in terms of quality nor in terms of the economic impact of its use in the national economy. Although existing wholesale prices reflect the difference in the use value of these types of rolled products, objective calculation is nonetheless complicated by the expression of quantities in terms of tons.

It would be preferable to calculate quantities of rolled sheet metal in square meters.

Units of product measurement that reflect the basic utility characteristics of the product more precisely are called effective units. Their use in pricing, however, would require the organization of production accounting and planning, the establishment of technical control and product accounting services in new units of measurement and, ultimately, the improvement of the entire system of planning and economic incentives in the production sphere Moreover, this conversion would still not signify adequate calculation of the basic quality characteristics of products (durability and so forth). To a certain degree, this problem is also a pressing one in several other branches of industry. The viability of effective units will depend mostly on the degree to which they can reflect various quality characteristics.

Although the development of the redistributive function of prices has not been as intensive lately as in the preceding periods when the socialist economy was being established and developed, it still has some practical problems of its own. These include the problem of reflecting fixed rent payments in prices in several branches using natural resources (mining, metallurgy, the petroleum industry and others). The need to solve this problem is dictated by the vast scales of the utilization of natural resources that are nonrenewable in many cases and the vast expenditures on their protection and reproduction.

The use of rent payments in pricing practices (for example, in the mining and enrichment of ferrous and nonferrous ores) can provide for the valid estimation of the effectiveness of deep-pit concentration and establish the necessary conditions to reduce ore losses. One type of rent payment that can be reflected in the price is the natural resource scarcity fee for the mining of metals in extremely short supply (tungsten, molybdenum, tin, nickel, lead and others).

It will also be important to improve the calculation of turnover tax, capital payments and so forth and their reflection in the prices of products in various branches of the national economy. The institution of measures in this area can considerably change the direction and nature of redistribution processes in the national economy and affect the structure and formation of national finances.

The extensive use of prices, particularly their stimulating function, has a direct effect on the level of production efficiency: All other conditions being equal, a higher price will mean a higher profit and, consequently, a higher level of efficiency, since profit and profitability are among the most important indicators of efficiency. This is why prices, profits and profitability play a natural role in the new system of planning and economic incentives. Less attention has been paid, however, to overhead costs, and this is interfering in the achievement of truly efficient production.

The fact is that a rise in prices and an excessive increase in the proportional amount of highly profitable products in the total output or, in other words, an increase in the proportion accounted for by products whose prices include most of the profit, can allow some production collectives to achieve high efficiency indicators. It is clear that this efficiency is only an illusion.

The pricing mechanism must contribute to the acquisition of profits and the growth of profitability with consideration for factors that truly reflect improvement in the operational quality and efficiency of the collective and the increased intensification of production--that is, factors reflecting the fulfillment of all plan indicators and contractual obligations. This means that profit must be derived primarily from a reduction in overhead costs, a rise in labor productivity and fulfillment of the plan in terms of product assortment.

Disregard for overhead costs has had several negative results. The active investigation and mobilization of intraorganizational reserves for heightened production economy have been, as it were, relegated to a position of secondary importance. This has impeded the establishment of conditions to prevent the overexpenditure of material and labor resources in the nation and has diminished the role of cost accounting in economic management. The absence of assignments concerning the reduction of industrial overhead costs in the plans of ministries and departments has reduced the rate of reduction in recent years and has led to a rise in overhead costs in some branches.

Moreover, the accurate determination of production costs and the tendencies and dimensions of changes in these costs is one of the decisive conditions for an economically sound wholesale price level and structure. The decree adopted in July 1979 by the CPSU Central Committee and USSR Council of Ministers on the further improvement of the economic mechanism, which summarized current economic experience, indicated a solution to this problem: Five-year and annual plans for the economic and social development of industrial ministries, associations and enterprises will stipulate indicators of total profit, and in some branches, a reduction in overhead costs.

Overhead costs represent the most important indicator of the economical and efficient use of production resources by each enterprise, association and branch. Consequently. this is the decisive cost accounting indicator that urges enterprises and associations to improve production organization and operational methods; it serves as a basis for wholesale price calculation and reduction. In turn, the "basic task of the wholesale price is to urge enterprises to constantly reduce overhead costs through the augmentation of labor productivity and the reduction of material requirements."[4]

In connection with this, we can take issue with the opinion of some economists that the overall criterion of national economic efficiency is maximum income (or results) with minimum expenditures, or even the maximization of income in relation to the given level of expenditures and quantity of resource utilization in production, regardless of whether this level is minimal or not. In our opinion, this criterion is minimum expenditures with maximum income (or results). At first, this may appear to be a simple transposition of words. However, by focusing attention on the acquisition of maximum income, the economic manager strives to earn profits in various, sometimes indirect, ways and pays little attention to the minimization of expenditures--that is, the overall reduction of production outlays and the observance of conservation regulations. Emphasis on minimum expenditures for the attainment of maximum results will be a correct guide for production collectives and will create more favorable conditions for the reduction of prices as overhead costs decrease and production efficiency rises.

Finally, we cannot forget that real economy, the need for which was stressed by L. I. Brezhnev in his speech at the December (1976) CPSU Central Committee Plenum, cannot be achieved without a daily struggle to reduce overhead costs.

The reinforcement of the role of socialist pricing as a means of enhancing national production efficiency is the deciding link in the use of the regulating role of prices. The following are the chief guidelines for its use and improvement in this respect:

Stimulation of the improvement of quality and the expansion of the variety of products manufactured;

Stimulation of the conservation of natural, material and energy resources;

The creation of economical conditions for the timely renewal of production output, particularly the tools of labor;

The provision of conditions promoting the reduction of manufacturing and circulation outlays;

More extensive use of planning prices in the balancing of supply and demand.

The attainment of these objectives by pricing methods is inseparable from the heightened use of another price function--the limiting function--and, in particular, the more extensive use of penalty prices under negative circumstances.

The limiting function of planning prices consists in the limitation and restriction of negative processes and phenomena in economic and social life. For example, the use of wholesale price discounts in the production and delivery of products deviating from quality requirements in state standards and technical specifications or second-class products; the establishment of a price level that deviates considerably from the basic one--the monetary equivalent of the cost and use value of the item (in particular, this could be a higher price level for products whose consumption in large quantities would be inexpedient from the social standpoint and so forth).

Consequently, an analysis of the pricing system indicates that the chief way of ensuring that prices play their current economic role consists in the development of their stimulating power and, recently, their normative function as well. The successful resolution of urgent problems in the theory and practice of pricing will enhance its value as a level of national economic control and will allow for the more productive use of pricing to heighten the efficiency of the socialist system of economic management.

FOOTNOTES

1. The latter signifies outlays, income, profitability, balance, the funding conditions of production, purchasing power, public standard of living and so forth.

2. In this respect, a correct stand, in our opinion, has been taken by A. V. Bachurin, who writes: "Consequently, although the law of value is not the main regulator of the distribution of manpower and the means of production among branches of the socialist economy, it still has a regulatory effect on production. The use of this law according to plan provides for the calculation of production expenditures and results and the determination of the economic efficiency of production operations" (A. V. Bachurin, "Planovo-ekonomicheskiye metody upravleniya" [Economic Planning Methods of Management], Moscow, Ekonomika, 1977, p 197).

3. For example, when wholesale prices are being set for rolled ferrous and noferrous metals, the following conditions for supplementary charges are taken into account:

   An increase or decrease in the average content of a chemical element in comparison to the standard grade of steel;

   A decrease in maximum sulfur and phosphorous contents;

   Limitation of the content of the chemical element in comparison to the standard grade of steel;

   A change in the standard content of residual elements (chromium, copper, nickel, titanium and others) in comparison to the standard grade of steel;

   The performance of additional technological operations that have not been taken into account in the standard grade of rolled ferrous and nonferrous metals (stripping, trimming, thermal treatment and so forth);

The achievement of special properties (anti-magnetic, guaranteed higher yield and so forth);

Observance of delivery conditions for ferrous and nonferrous metals (shipments in small batches, regularity, frequency and so forth).

Discounted wholesale prices are set for shipment of second-class metal products, deviations from standards and technical specifications, higher contents of some components in metal and other imperfections.

4. N. T. Glushkov, "Problemy sovershenstvovaniya planovogo tsenoobrazovaniya v svete resheniy XXV s"yezda KPSS" [Problems in the Improvement of Planned Pricing in Light of 25th CPSU Congress Decisions], Moscow, Preyskurantizdat, 1977, pp 14-15.

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GREATER STRESS ON QUALITY URGED

Moscow EKONOMICHESKAYA GAZETA in Russian No 43, Oct 79 p 5

[Editorial: "Orientation Towards High Quality"*]

[Text] The problem of improving the management of production quality has a complex character. Its solution presupposes a further improvement in the planning of the quality of goods produced, in the quality certification system, in standardization, in the appraisal of new products and their testing, and the perfection of the system of economic stimulation and of material incentives. The CPSU Central Committee and USSR Council of Ministers' decree of 12 July 1979 established a set of measures strengthening the orientation of the economic mechanism towards raising the quality of output.

The distinctive characteristic of these measures consists in the fact that they cover all components of the system of quality management and ensure the development of all of its functions. Important significance adheres also to the directive on raising the responsibility of producer-enterprises for a more complete satisfaction of the national economy's and the population's requirements for products with specified use properties. The measures taken have been prepared on the basis of generalizations derived from the experience of a number of ministries and outstanding associations and enterprises in the work on improving the quality of output and constitute its further development.

The Role of Quality Planning Is Strengthened

In the plan-oriented management of quality the role of the five-year plans is being strengthened. Industrial ministries, associations and enterprises will be assigned approved indicators for the growth in the production of products of the higher quality categories and other quality indicators established for the given branch, with a breakdown by years.

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* This is the 11th article in a series of editorials devoted to problems of improving the economic mechanism. The preceding articles were published in Nos. 33-42 of ECONOMICHESKAYA GAZETA.

Changes are being introduced in the system of physical measures of output which will more fully and accurately reflect its economic effectiveness, its technical level and other user characteristics. For mass consumption goods the planning of the production of output in physical units is envisaged by assortment groups, including goods for children.

Plans for the introduction of new technology are also being still more closely linked to the improvement of output quality. Basic tasks are being set for the starting up and implementation of new and highly effective production, including production in newly commissioned enterprises. It is also important that the raising of quality will be planned with consideration of the development perspectives of social production and the growth of the cultural and material level of the life of the Soviet people.

The system of plan indicators and measurement indices of production quality improvements is expected to be complemented under the new economic conditions by plan measures for the creation, operationalization and introduction of new, high-quality products, materials, machines and equipment and also for the raising of the quality of output currently produced. This work has been assigned to the USSR ministries and departments and to the councils of ministers of the union republics.

The decree defines more precisely the responsibility for production quality at the inter-branch level of administration. In particular, it has been established that responsibility for the satisfaction of the requirements of the national economy and the population for output in the necessary product assortment and quality lies with the ministries which are the chief producers in the given product line. A procedure has been established for cooperation between suppliers and users. In consequence the chief ministries should elaborate and utilize methods for a precise determination not only of the volume of requirements, but also of their specific attributes.

In the course of 1979-1980 an evaluation of the technological level of machinery, equipment and other producer goods technology in present production programs will be conducted. On the basis of the data received from this investigation, measures are to be prepared and implemented to raise the technical-economical indicators of current output and of newly developed products and to withdraw obsolete products from production. The performance of an evaluation of this rype develops the organizational forms for output [quality] certification and should be based on the experience gathered in this field. Evaluations of the technical level of products to be performed at periodical intervals also in the future.

Testing occupies an exceptionally important position in the work on production quality improvement. In 1979-1980, ministries and departments, together with the USSR State Committee for Standards, will have to appoint lead organizations for state testing of the more important types of producer and consumer products. Gosstandart [USSR State Committee for Standards] has been charged with methodological leadership for state product testing and the supervision of its execution.

The Role of Standards and State Certification

At all stages of socialist construction in our country great attention was devoted to the development of standardization and the full utilization of its possibilities for the improvement of production quality. In accordance with the CPSU Central Committee and USSR Council of Ministers decree on "Raising the Role of Standards in the Improvement of the Quality of Output Produced" (1970), the practice of systematic reviews of existing standards was introduced and economic sanctions were instituted for the production of output falling short of the requirements of standards and technical stipulations. A Uniform System for Technological Production Preparation (YeSTPP) has been elaborated and put into force, and a strict procedure for the organization of the production of new products has also been defined. All of this has played a large role in the improvement of production quality, the development of methods for its comprehensive management, and in the discovery of new organizing possibilities of standardization.

An important position in the multiple ways in which standardization affects the quality of output belongs to the raising of the scientific-technical level of the standards. The CPSU Central Committee and USSR Council of Ministers decree of 12 July 1979 charged Gosstandart, together with the ministries and departments, with the task of reviewing obsolete standards for machinery and equipment in 1979-1981. In addition to other quality characteristics the new standards should include requirements assuring reductions in the weight of products, lowered expenditures of fuels and energy in the operation of the equipment, and also the standardization of components, assemblies and fittings. The forthcoming review will undoubtedly exercise a positive influence on raising the scientific-technical level of the entire set of standards, the dimensions and spheres of utilization of which has considerably expanded in recent years.

In the national economy more than 55,000 state and branch standards, 150,000 engineering specifications and 77,700 republican standards are in force. In the press criticism has been frequently expressed with respect to their quality, their incompatibility with the demands put on final production, the untimeliness of the review of GOSTs [All-Union State Standards] and TU [engineering specifications], and the slow development of progressive forms of standardization. Ministries and departments, the USSR Gosstandart and its scientific and research institutes are faced by a large volume of work which must be performed in a short period. In slightly more than two years about 2,500 GOSTs and many branch and republican standards and engineering specifications must be reviewed.

A special place in the solution of the tasks posed by the CPSU Central Committee and USSR Council of Ministers' decree has been assigned to complex standardization, which will permit the surmounting of departmental fragmentation and the improvement of branch and territorial administration. This is an important instrument for the concentration of resources on the fulfillment of national specific-purpose programs. Only on the basis of complex standardization can balanced requirements for the technical level and quality of final products, raw materials, other inputs, component assemblies, and production equipment and technology be prepared and implemented.

Since the beginning of the 10th Five-Year Plan, 142 complex standardization programs have been prepared and implemented, comprising all basic types of industrial output. The initial results have been received and the compilation of experience has started. Now it is necessary to utilize complex standardization programs still more broadly as an instrument of economic planning.

Standardization has played and continues to play an important role in the process of output certification by the three quality categories. From 1975 to 1 September 1979 the quantity of articles in the highest category has increased 2.6-fold, to constitute 72,000 items. Their production grew from 6.5 percent of the total volume of output to 13.3 percent, and in the machine-building ministries from 18.5 percent to 32.1 percent. At the same time there still exist shortcomings in the certification work.

Some enterprises and ministries are not concentrating their efforts on awarding the State Quality Emblem primarily to products which determine the technical advance of the national economy and the fuller satisfaction of the requirements of the population. Instances still occur in which products are deprived of the State Quality Emblem because the conditions for certification or for the production of certified output have been violated. In the first half of 1979, 130 articles lost the State Quality Emblem for such reasons.

Ministries should improve the work of the state certification commissions and expand the development of scientifically based evaluation methods to determine quality levels. State certification commissions will have to conduct quality evaluations of output which include the criterion of obsolescence. The organs of Gosstandart, in turn, must become more exacting with respect to the quality of the standards that are being drafted, must ensure that the regular review of standards is operational, and must improve the supervision over the observance of certification requirements. In case of violations of the requirements of the standards for a product, the State Quality Emblem will be withdrawn and deductions into the economic incentive funds will cease. Analogous sanctions are to be applied in case of all products for which incentive mark-ups have been established.

Economic Incentives for Raising Quality

In the decree a complex set of measures has been established which will ensure a strengthening of economic levers and incentives for the improvement of output quality. The combination of plan indicators with economic levers makes possible the creation of the most favourable economic environment for active operations of associations and enterprises to exploit all production possibilities for the supply of high-quality articles. It has been decreed that the evaluation of the results of the economic activity of production associations and enterprises, as well as the determination of economic incentives for them, will be effected in a manner which takes into account the fulfillment of the plans for deliveries of production-use output and consumer goods and for output quality improvements.

The production of new, high-quality articles must be advantageous from an economic point of view for associations and enterprises. Beginning with the 11th Five-Year Plan, higher norm for the formation of economic incentive funds will be established for associations (enterprises) in case of a significant increase in the output of new and highly effective producer-use and technical articles or new consumer goods.

At the present time the procedure for setting wholesale prices for new products in many cases does not offer incentives for their production. In consequence it is economically more advantageous for associations and enterprises to produce highly profitable articles which are of lower quality then to put new types of output into production. In order to eliminate instances of this kind and to create an economically favourable environment for the production of high-quality output, incentive mark-ups to the wholesale prices are being established for new and highly effective producer and technical goods whose parameters correspond to those of the best domestic and foreign models. In case of the award of a State Quality Emblem for new consumer goods, the temporary wholesale and retail prices set for them will remain in force for the entire period during which the quality emblem remains in effect.

Different types of output, as is well known, provide effects of varying magnitudes. In price setting it is important to determine the mark-up correctly with respect to the economic effect obtained and within the established range which comprises coefficients of 0.5 to 1.25 of the accepted profitability norm for prices of the given or analogous products.

The highest growth rates for technical level and quality are attained in those cases where the creation and production of products is based on discoveries and inventions. The size of the mark-up on the wholesale price for such products is increased 1.5-fold.

An integral part of the system of economic incentives for improvements in output quality are measures aimed at the timely removal of obsolete products from production programs. For output of the second quality category, reductions in the wholesale price of 50 percent of the total profits obtained from its sale will be applied, and a wholesale price reduction equal to the full amount of the profit once the deadline for its removal from production has expired. This measure has been extended also to output which has not been certified within the established time limit.

The USSR Gosbank [State Bank] and the USSR Stroibank [Investment Bank] have been authorized to extend credits to production associations (enterprises) and organizations for the execution of highly effective measures to produce and to improve the quality of articles already in the production programs over and above the state investment limits.

In the creation of articles of a high technical and quality level an important role falls on the personnel of the scientific and research, design, and project planning organizations. With the formation of a unified science and technology fund in the ministries and departments, much that is new has appeared in the methods of their economic operations. The money of this fund is allocated for financing the work and refunding the outlays connected with the development and operationalization of new types of products, and for additional expenditures to improve their quality and the higher outlays incurred during the first years of production.

In machine-building associations, enterprises and organizations the practice of ad hoc bonuses is being introduced to provide incentives for work supervisors and workers participating directly in the creation and mastering of especially important and effective types of machinery and equipment.

Goods for the Public

The economic mechanism determines in many ways the rapid development of the production of mass consumption goods, the widening of the assortment of goods, the modernization of articles in the production programs and the systematic improvement of their quality. The CPSU Central Committee and USSR Council of Minister' decree provides for special measures, in addition to the general measures for the improvement of output quality, which pertain to the quality of mass consumption goods.

A substantial increase will occur in the role of the USSR Ministry of Trade, which should assume the role of the basic customer, as it were, who issues orders for consumer goods. The practice will be introduced of concluding five-year agreements between the main administrations of the USSR Ministry of Trade and industrial associations. These contracts should envisage the modernization of the commodity assortment, improvements in the finish and external appearance of articles, the packaging of goods, and other obligations which will ensure a better satisfaction of the consumer demand.

It is very important for the production of high-quality mass consumption goods to find out rapidly and accurately the opinion of consumers about these goods, to establish a realistic evaluation of their quality. For this purpose the industrial ministries are to develop a network of enterprises-outlet stores for the sale of consumer goods produced by the associations and enterprises subordinated to them.

The main industrial ministries producing cultural, household and daily-use products should appear on the wholesale fairs as the general suppliers of such goods for the output of all associations and enterprises engaged in their production, regardless of their administrative affiliation.

Associations and enterprises will be given increased deductions into economic incentive funds in case of significant improvements in the quality of consumer goods output and also in case of the award of the Quality Emblem for their output.

The system of economic incentives raises the responsibility of producers for the quality of their output. For this reason the magnitude of penalties imposed for the violation of contractual obligations with respect to shortfalls in the delivery of consumer goods and products of the children's assortment group will be increased relative to those for other goods.

In this manner the measures laid down by the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979 will orient the economic mechanism towards raising the quality of output of all types. A rapid implementation of these measures will permit a more effective conduct of the comprehensive management of output quality and will raise the effectiveness of production in the name of an ever fuller satisfaction of the growing requirements of the national economy and the population for high-quality goods.

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NEW PAYMENT INSTRUCTIONS FOR FULLY COMPLETED AND ACCEPTED WORK

Moscow EKONOMICHESKAYA GAZETA in Russian No 44, Oct 79 p 10

[Directive of 12 October 1979 approved by the USSR State Committee for Science and Technology, USSR Gosplan, USSR Gosstroy, USSR State Committee for Labor and Social Problems, and USSR Ministry of Finance: "On the Transfer of Branch Scientific-Research, Project-Design, Technology and Project Survey Organizations to the System of Payment for Fully Completed and Client-Accepted Work"]

[Text] 1. General Provisions

1.1 The Directives on the transfer of branch scientific-research, project-design, technological and project-prospecting organizations (hereafter called organizations) to the system of payment for fully completed and client-accepted work, in place of the payment for work by stages, have been prepared in implementation of the CPSU Central Committee and USSR Council of Ministers' decree No. 695 of 12 July 1979 "On the Improvement of Planning and Strengthening of the Influence of the Economic Mechanism Towards Raising the Effectiveness of Production and the Quality of Work" with the aim of strengthening economic accountability in the organizations mentioned, of raising the effectiveness of scientific research and projec-planning work and accelerating the introduction of its results into the national economy.

1.2 The present Directives applies to scientific-research, project-design and technological organizations of industrial ministries and departments transferred to the cost-accounting system of organization of work on the creation, operationalization and introduction of new technology on the basis of job-orders authorizations (contracts). In the job-order authorization (contract) the entire volume of work to its completion is stipulated, the final results of this work (including the economic effect for the national economy) are determined, and so are the executors and the deadlines for the fulfillment of the work at all stages, from scientific research to the introduction of the results into production, as well as the necessary material resources and the volume and sources of financing and of material incentives.

Payment for fully completed and customer-accepted work is applied also in project-survey organizations.

1.3 The organizations submit to clients for payment fully completed work accepted according to established procedures [in the following categories]:

--complex scientific-research, experimental-design and technological work on the creation of new articles, materials and technological equipment;

--scientific-research work of an exploratory and theoretical character aimed at the creation of scientific-technological inventories;

--experimental-design work for the creation (modernization) of concrete types of new equipment and technology, if this work is not directly preceded by scientific investigations of an applied character;

--work connected with participation in the setting up of industrial production of new equipment and technology in the amount envisaged in the contracts;

--plans for the construction of enterprises and priority complexes, lines and projects;

--scientific-research work on the economics and the preparation of normative-technological, techno-economic, methodological and informational materials on the organization of production, labor and management, and work on the protection of the environment and on standarization;

--expenditures on incomplete work which was discontinued with the permission of a superior organization on the basis of established procedures.

The fragmentation of a single scientific-research, project-design or technological operation into a series of successive stages (steps) and the issuance of separate job-orders authorizations (conclusion of separate contracts) for the execution of each stage (step) is not permissible.

1.4 Organizations responsible for the preparation of a job in its entirety are paid by the customer after its completion in the full volume envisaged in the job-order authorization (contract) and its acceptance in accord with the established procedure. The payment of the work of a co-executor (subcontractor) is effected by the organization responsible for the preparation of the job-order authorization (contract) which commissioned him to execute a work element and after its acceptance in accord with the established procedure.

1.5 In connection with the conversion to the system of settlement for fully completed and customer-accepted work, ministries (departments) confirm an indicator of the volume of completed, customer-accepted and paid work in the five-year and annual plans for organizations.

The indicator of the volume of completed, customer-accepted and paid work will be established for organizations with a breakdown of tasks by year in their five-year plans, and with a breakdown by quarters in their annual plans.

The evaluation of the fulfillment of the five-year plan for the volume of completed, customer-accepted and paid work will be made on the basis of the cumulative total from the beginning of the five-year period, and that for the annual plan on the basis of the cumulative total from the beginning of the year.

1.6 At the time of the settlement for fully completed and customer-accepted scientific-research, project-design and technological work, an updating of the estimated cost of this work will be performed.

The updated (reduced) estimated cost of fully completed and customer-accepted work subject to payment should not exceed the actual outlays by more than three percent (within the limits of the estimated costs set in the job-order authorization or contract). No reductions in the estimated cost of work in process will as a rule be performed during the period up to its completion. The updating of the estimated cost of work performed by co-executor organizations of the system of higher and secondary specialized education will be implemented in accordance with the procedure established in the contract on the performance of the work.

The difference between the initially established estimated cost of the work and the updated cost is to be utilized for the replenishment of the source of financing.

1.7 The fulfillment of the organization's plan for the volume of completed, customer-accepted and paid work is evaluated on the basis of the total estimated cost accepted into the plan.

1.8 In preparing for the introduction of the system of settlements for fully completed and customer-accepted work in accordance with the CPSU Central Committee and USSR Council of Minister decree of 12 July 1979, ministries and departments:

--establish the specific features of planning the volume of finished work and its financing;

--elaborate and confirm the plans for the volume of completed, customer-accepted and paid work;

--confirm the plan schedule for the execution of preparatory measures in which deadlines are set for the transfer of organizations to the system of settlement for fully completed and customer-accepted work, with an eye to completing it in the course of the 11th Five-Year Plan;

--organize the training of specialists in the new system of settlements.

1.9 The transfer of scientific-research, project-design, technological and project-survey organizations to settlement for fully completed and customer-accepted work is to be implemented from the beginning of the year, together with affiliates, departments and other subdivisions.

2. Payment and Crediting Procedure for Scientific-Research, Project-Design and Technological Work

2.1 Customers (ministries, departments, industrial associations, and in certain cases large production and scientific-production associations) pay executing organizations for the fulfillment of work performed under job-orders authorizations (contracts) after its full completion and acceptance according to established procedures.

2.2 Ministries, departments and industrial associations to whom the executing organizations are subordinate, and also banking institutions, in the case of the execution of work according to established procedure under a contract, exercise supervision over the correct conclusion of contracts, guarding against the admission of an unjustified fragmentation of the work.

In cases where the executing organization participates in the introduction of the completed work [into the production process], a separate contract on the execution of the work connected with participation in the introduction can be concluded between it and the enterprise assimilating the result of the work after the full set of corrected documentation on the completed work accepted in accordance with set procedures has been transferred to this enterprise. Accounts are settled after the introduction of the entire work in accordance with the contract.

2.3 The executor and the customer draw up a transfer-acceptance document (attachment 1) and a certificate on the verification of settlement after completed work (attachment 2).

2.4 Settlements for completed work accepted by the customer for payment in the established procedures as a rule are effected by means of payment demands. Upon application by the customer the maturity of the payment demand can be extended by the bank to a period of 10 days.

2.5 Outlays of the organization up to the planned deadline for the submission of the work are covered from bank credits within the limits of the funds released on the part of the customer in connection with the transfer to settlement without intermediate payments. If the planned deadline for the submission of the work is exceeded, the issuance of credit is extended with a higher interest charge for the utilization of the loan. In issuing credit the bank takes into account the availability of own working capital funds in the executing organizations.

The issuance of credit for outlays on the execution of the work takes place on the basis of the estimated costs.

In case of an adjustment of the initially confirmed planned (contractual) deadlines for the execution of the work on the basis of established procedures resulting in an extension, and also in case of adjustments in the estimated cost of the work resulting in cost increases, the bank collects higher interest rates for the utilization of the loan from the executing organization with respect to the total cost increase and with respect to the total cost of the work during the period exceeding the initially set planned (contractual) execution time.

The payment of interest for the utilization of credits during the planned execution period is effected from the corresponding financing sources for scientific-research, project-design and technological work.

The payment of higher interest charges for the utilization of credits in case of the non-compliance with planned deadlines for the submission of the work is effected as a charge against profits, and in case of insufficiency of the latter as a charge against the development fund of the organization.

2.6 Apart from the loans issued to organizations to cover the outlays on scientific-research, project-design and technological work up to its full completion and acceptance by the customer, the bank provides the organization with other credits envisaged in the regulations for credit issuance.

2.7 Beyond this, the bank provides credits for the execution of scientific-research, project-design and technological work to:

--ministries and departments for work financed from the resources of the unified fund for the development of science and technology in case the inflows into this fund in the course of the year do not coincide with [the amount of] expenditures executed from the fund;

--scientific-production and production associations (enterprises) for:

----the payment of work financed from the resources of the unified fund for the development of science and technology if this work is executed more rapidly than envisaged in the plan;

----the implementation of highly effective measures for the development of science and technology which were not provided for in the plan, with repayment of these credits and the relevant interest charges in the course of two years from the day of issuance of the credit out of the resources of the unified fund for the development of science and technology. These credits are issued under the guarantee of ministries, departments or all-union (republican) industrial associations.

3. Accounting for Outlays on Completed Scientific-Research, Project-Design and Technological Work

3.1 Outlays for the performance of work, including those effected by co-executors, are entered on the balance-sheet of the executing organization under the category of unfinished production until the full completion and payment of the work.

In cases of a refusal of the customer to make payment for the work for valid reasons (loss of actuality of the topic), he is obliged to refund all actual outlays incurred by the executor. Such work is written off on the balance-sheet of the executor as a discontinued operation withdrawn from production.

Work finished by the executing organization is included in the accounts of the customer only on condition of its full completion, acceptance under the established procedure and payment.

The customer takes the value of fully completed and accepted work paid to the executor which is awaiting introduction [into the production process] onto his own balance-sheet and accounts for it up to the time of its introduction.

The outlays on scientific-research, project-design and technological work which has been introduced [into the production process] are written off the balance of the customer on the basis of the documentation certifying the introduction of the work.

The procedure for implementing these operations in the accounting process is to be determined by the USSR Ministry of Finances.

3.2 Executing organizations register fully completed and accepted work paid by the customer which is awaiting introduction [into the production process] into an account outside of their balance-sheet [zabalansovyy uchet].

The writing off of this work is effected on the basis of the documentation on the introduction, a copy of which the customer is obliged to send to the executor.

3.3 If the introduction of the work [into the production process] is not effected by the customer, but by another enterprise (association, organization), the last recipient of the technical documentation registers the value of the work on its balance sheet. In this case the customer registers the value of the work transferred for introduction on an extra-balance account in the manner established above, with separate indication of the work subject to introduction [into the production process] in enterprises (associations) of its own ministry (department).

The value of the work transferred for introduction is written off the extra-balance account on the basis of the documentation on the introduction of the work.

3.4 In connection with the transition to payment for fully completed and customer-accepted work, the issuance of advances by customers to executing organizations is not to take place.

3.5 The procedure for the utilization by the bank of funds released by customers in connection with the transition to settlements for fully completed and accepted scientific-research, project-design and technological work without intermediate payments, for the crediting of work, and also for the accounting of these funds by the customer and by banks will be established by the USSR State Bank, the USSR Stroybank, the USSR Ministry of Finance and the Ussr State Committee for Science and Technology.

4. The Procedure for Settlements with Project-Prospecting Organizations for Fully Completed and Customer-Accepted Work

4.1 Settlements between customers and project-survey organizations for completed and customer-accepted work for the construction of enterprises, priority complexes, lines and projects are effected in accordance with the directives of the USSR State Committee for Construction Affairs, the USSR Stroybank, the USSR Gosbank, USSR Gosplan and USSR Ministry of Finance.

4.2 Outlays of project-planning organizations during the period up to the planned deadline for the submission of the project are covered from their own working capital funds and also from bank credits, utilizing for this purpose the resources released by the customer in connection with the transition to settlements without intermediate payments.

4.3 After the expiration of the planned deadline for submission of the project, the issuance of credit to the project-survey organizations continues with a higher interest charge for the utilization of the loans.

4.4 The granting of credit for outlays on unfinished production in project-survey work is effected on the basis of the estimated cost of this work.

4.5 The payment of the interest charge for the utilization of credits within the bounds of the planned deadlines is proveded for in the financial plan of project-planning organizations at the expense of the profits of these organizations.

4.6 In the year of the transfer to the new procedure of settlements for the execution of project-survey work, appropriate changes will be effected in the income and outlay balances of ministries and departments in the established manner.

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ESTONIAN ACADEMICIAN URGES REFINEMENT OF RESEARCH

Moscow EKONOMICHESKAYA GAZETA in Russian No 44,Oct 79 p 15

[Article by A. Keerna, chief secretary of the Estonian SSR Academy of Sciences: "Program and Target Planning"]

[Text] Recently a complex target program for scientific research on fine organic synthesis was reviewed in the Estonian SSR Academy of Sciences. The program envisages the development of new chemical preparations possessing the capacity of exercising selective inhibiting effects on pests endangering agricultural crops. The important point is that an experimental plant of the Chemical Institute was organized for the accelerated introduction of these preparations into chemical industry.

This is one of the examples for the strengthening of the continuous chain of work to carry new ideas into practice, from basic research to industrial production.

In addition to the participants in the development of new products and technology, complexs program indicate also the initial user organizations which will be engaged in the mass production of these products or will employ the new technology. In this manner the agonizing extended search for ministries, associations and enterprises which will undertake to implement the processing of the scientists falls away. In the program, the practicians are treated on an equal level with the scientists: for both the former and the latter tasks are planned and stages and deadlines for the completion of the work are laid down. For all participants the fulfillment of obligations becomes a question of plan discipline and, naturally enough, for this they are responsible to the state.

In order that the path of scientific achievements into the production process should be unobstructed and smooth, it is necessary to pursue the scientific development to a level of readiness such that intermediate stages on the road to mass serial production have already been successfully executed and the scientific result has been tested and found ready for assimilation to production. But this presupposes the existence of special design offices, experimental and testing bases and other analogous links. The experience of the academies of sciences of other union-republics, especially those of the Ukraine and the Siberian branch of the USSR Academy of Sciences, indicate how important it is to have effectively operating connecting links between the academic institutes and the enterprises--design offices and experimentation plants. In this case industry will as a rule be provided with finished prototypes with a fully elaborated production technology which are suitable for serial production.

The fulfillment of research programmes in the natural and technical sciences presupposes the strengthening of the experimental and design links of academic science. The Cybernetics Institute, for instance, performs work in the area of automated control systems for complex chemotechnological processes. The experimental introduction of such a system in the "Slantsekhim" Association imeni V.I. Lenin indicates its high economic effectiveness and the necessity of employing small electronic computers widely for the processing of the information received from technological operations. Hence, taking into account the available scientific inventory and the experience already accumulated, a complex program for small electronic computers has been elaborated. An SKB [special design bureau] was organized in the institute, and recently an agreement was reached on the experimental production of the output developed by it in one of the Talinn enterprises. At the same time the design and production base of the Academy for scientific instrument-building is being expanded.

In spite of all this, this linkage of scientific establishments is still insufficient and relatively weak.

The solution, as it appears to us, lies in the establishment of much tighter linkages with branch ministries and associations which are interested in the serial production of products necessary for the national economy and prepared to strengthen the material-technical base and the supplying of experimental production bases and design offices of scientific establishments. A good start in this direction has already been made. Thus, the Ministry of Chemical Industry supports the SKB of the Academy in the expansion of its production potential. Contacts are being established with the Ministry of Instrument Building and Automation Equipment.

Complex target programs permit the acceleration of the "exit into practice" of basic research. In the academy of our republic 11 complex scientific-research target programs have been prepared and are being implemented. Some of them are basically republican programs, while others constitute organic parts of all-union programs.

A characteristic feature of the target-program planning of scientific research is the tight linkage of theoretical research to practical life and complexity. They assure a complex, interdisciplinary approach to the solution of problems and the unification of the efforts of scientific collectives of different administrative affiliation--VUZ's, branch institutes, academic establishments of the republic and establishments outside of its boundaries.

Thus, almost all economic, scientific-research institutes and VUZ's of the republic, many project-planning institutes, and representatives of the physical sciences take part in the preparation of long-term prognoses for the socio-economic development of the republic. In the preparation of the report on the status and prognostic evaluation of the natural environment alone 120 research sections in different administrations and scientific organizations participated.

Of course we are far from claiming that all results of scientific research should be immediately introduced into practice. After all, science develops at a rate which outpaces material production, and society does not at any given time period dispose of the necessary resources for the practical utilization in production of all results of science. Priorities are set for their introduction, and part of the scientific developments will wait for favorable technical, economic and socio-psychological conditions for their utilization.

Important significance adheres to the measures envisaged in the recently adopted CPSU Central Committee and USSR Council of Ministers decree on the improvement of the economic mechanism, measures which are aimed at the widening of bottle-necks which impede the organic unification of science with production. The inclusion of the complex programs in science and research executed by the republican scientific organizations and VUZ's in the five-year plan for the economic and social development of the republic, after their review by the Council of Ministers and the Gosplan, appears to be an effective measure assuring the goal-oriented utilization of scientific capacities for the solution of the most pressing and important problems of the development of the national economy and culture. By the same token it also raises the responsibility of the scientists for the timely and qualitative fulfillment of research. Recently a procedure of this type has already been introduced in our republic.

The transition to a wider application of the target-programming method of planning of academic scientific research brings to the fore a number of problems which have not yet been fully resolved. They involve above all the assurance of resources for the programs and, in part, their financing. Irrespective of individual attempts at target-program financing of research, each work (topic) is financed by that organization which executes it: in case of academic institutes by the Academy of Sciences of the republic, in case of branch institutes by the corresponding ministries and departments, and in case of VUZ chairs by the Ministry of Higher Education. The program council and the director of the program have only a weak influence on the material-financial provisioning of the program.

As is known, the thematic planning of research in the republican academies proceeds an isolation from its financing. Financing as a rule concerns scientific establishments, but not separate investigations or topics. The system of financing complex scientific-research programs in the republican academies of sciences is in need of improvement.

Problems also arise in the field of organization and management. The management of complex programs in scientific research on the basis of the chief ministries or scientific establishments does not always assure an operational leadership for the programs. Work relations between the participants in the programs have a manysided character, and tasks with respect to deadlines and stages of the work are defined approximately and require correction in the course of its execution.

The practice of the management of scientific-technical programs in our republic indicates that an expansion of the authority of program councils and thier heads is indispensable.

Other forms of linkage with operational practice are also expanding in the Estonian republic. In 1978, research work was performed in our academy on 144 contractual tasks with a volume of 3.4 million rubles. This amounts to almost 30 percent of the value of the academy's budget.

Linkages in the form of contracts for creative collaboration between institutes and ministries, associations and enterprises have recommended themselves as highly fruitful. Consultations by scientific personnel for workers of industry through consulting points established in the institutes are widely spread.

The integration of science and production is a two-sided process. It consists not only of bringing science closer to practice, but also of raising the active role of association and enterprises in the determination of research topics and expanding the volume of requests from industry to science. We in our republic have quite a few examples of active managers who "feel the tast of science" and take a systematic interest in the new products of the institutes.

But not all results of basic research which could be developed further by the branch institutes are in fact brought to their awareness. The linkages with the latter leave much to be desired. One prerequisite for the preparation of the utilization of higher forms of integration of science and production is the creation of a scientific-production association with the participation of the academic institutes.

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AGANBEGAN DISCUSSES ECONOMIC DEVELOPMENT OF SIBERIA

LD121251 Moscow PRAVDA in Russian 7 Dec 79 pp 2-3 LD

[Article by Academician A. Aganbegyan, director of the USSR Academy of Sciences Siberian Department Institute of Economics and Industrial Production Organization, under the rubric "Improving the Economic Mechanism": "Territory and Sectors"]

[Text] Novosibirsk--Our socialist economy has at its disposal tremendous potential and reserves for successful progress. "But in order to make use of them," Comrade L. I. Brezhnev noted at the CPSU Central Committee November (1979) plenum, "a rise in the standard of management in the broadest sense of the word is needed." This idea is vividly confirmed in practice in the assimilation of Siberia's wealth.

In such a big country as ours, special significance attaches to the rational combination of sectorial and territorial development, and we all greeted with satisfaction the important measures in this direction provided for in the party and government resolution on further improving the economic mechanism.

The problems of the comprehensive assimilation of the region's natural wealth, the efficient utilization of labor resources, the creation of a unified transport system and a construction base--all this is not reflected fully enough in sectorial plans. There is also a need for a territorial approach and organic collaboration between departmental programs and the interests of economic and social development in a particular region.

It is hardly necessary to demonstrate what significance these questions have for the regions of Siberia and the Far East. In general, they are developing successfully and at a faster rate than other regions.

I would particularly like to stress the high national economic effectiveness of developing social production here. In Siberia, of course, expenditure on work payment is greater, construction and transport are more expensive and additional resources have to be invested in creating a social and consumer infrastructure. But these expenses work out to be lower per unit of output produced than elsewhere. The gas, steel, aluminum and coking coal are the cheapest in the country. Timber procurement and the production of sawn timber, pulp and other products are more efficient. Expenditure on the production of grain, milk, meat, eggs and potatoes is also lower than the all-union level. Summing up, it turns out that social labor productivity is 20-30 percent higher in Siberia than in other regions. Thus the assimilation of the natural resources of Siberia and the far east promotes the accelerated development of the entire national economy. Lomonosov's prophesy has come true: "Russian might will be increased by Siberia."

What gives rise to the high efficiency of the Siberian economy? Here there are favorable mining and geological conditions, a high concentration of natural wealth, cheap fuel and energy resources. Calculations show that these advantages will continue to grow. Of course, not all the potential of Siberia and the far east is being utilized as yet, and there are many problems. The measures envisaged by the CPSU Central Committee and USSR Council of Ministers resolution on improving the economic mechanism will make it possible to increase the eastern regions' contribution to the country's economy. First and foremost this requires a long-term approach. At present the parameters for development over the next 20 years are determined on the basis of the comprehensive program for scientific and technical progress; the parameters for the next 10 years emerged in the elaboration of the basic directions of the country's economic and social development up to 1990; and the 11th 5-Year Plan is being elaborated. This efficient long-term planning system will be of great significance for Siberia. After all, everyone is aware that future volumes of production of, for instance, oil and gas are established today: Rear services are being set up, transport lines are being laid, machine building workers are preparing to manufacture new equipment and scientists are seeking the best technical solutions. Accurate advance planning is of vital importance for all these and other tasks.

Success in assimilating Siberia's natural resources can be complete if the long-term and comprehensive approaches to the tasks are closely linked. I recently took part in an economic expedition to the Angara and middle Yenisey regions, where the main wealth is timber. This is now being felled selectively, leaving approximately 40 percent of the timber in the felling area. Then another 10-15 percent is discarded--the tops and brushwood. About 10 percent is lost during floating. Sawn timber is made from the logs, with an output of about 50 percent, and the rest goes for burning at best. The national economic gain from the utilization of timber could be doubled if pulp and hydrolytic production and so forth were organized there. These would operate virtually on free raw material. The question has been discussed in more than one 5-year plan already. The volume of timber procurement is growing and nonproductive waste is increasing at the same time.

[LD121253] How is a comprehensive approach to be insured in practice? The tool will be the targeted programs for resolving major regional problems, and also for the formation and development of territorial production complexes. The elaboration of these programs is provided for in the party and government resolution. The program for the development of the Baykal-Amur railroad (BAM) zone is mentioned as a matter of priority here. The USSR Academy of Sciences Scientific Council for BAM problems took this decision as a direct instruction. Under the council's leadership, the scientific principles were laid down for a comprehensive targeted program which was approved at an all-union conference in Blagoveshchensk. It is now necessary to elaborate a draft of the comprehensive program itself in a short space of time, with the participation of departments and local organs. It is a tremendous responsibility--the program for the economic assimilation of the BAM zone will pave the way for other regional programs.

Our institute of economics and industrial production organization, in conjunction with other subdepartments of the USSR Academy of Sciences Siberian Department, recently analyzed in detail the problems of Siberia's economic and social development. We were encouraged to do this by the instructions and recommendations put forward by Comrade L. I. Brezhnev during his tour of the country's eastern regions. The Siberian department prepared an extensive scientific report. In the course of this work problems emerged whose resolution largely governs Siberia's efficient and comprehensive development.

I would like to share some of them with you. First, there is the elaboration and implementation of a special regional scientific and technical policy for the assimilation of natural wealth. Taking into account the particular mining, geological and climatic conditions, specialized machinery is needed here. Unadapted trucks, bulldozers and cranes go out of action 5-6 times more quickly in the north, and repair and servicing works are 3-4 times more expensive there. Annual expenditure on servicing the Chelyabinsk bulldozer, for instance, is three times the cost of manufacturing a new machine. According to data supplied by the Yakutsk branch of the USSR Academy of Sciences Siberian Department, the annual losses to the state through machinery not being adapted to the severe climatic conditions total more than R1 billion. Even more harm is caused by the failure of technical solutions to correspond to specific mining and geological conditions: There are no trucks with a freight capacity of 180 or more tons. Excessively heavy timber procurement machinery which gets stuck in the snow, the cross-country vehicles now being produced and so forth are not suitable for Siberia.

Siberia has the world's cheapest electricity, and potential for increasing capacities are very great here. But electrical technology is used less here than in the European part of the country, with its energy shortage. Paradoxically, the Ministry of Ferrous Metallurgy sites electric steel smelting shops and whole combines far from energy capacities--in the central RSFSR and the Ukraine--even though the country's main supplier of electric furnaces is the Novosibirsk "Elektroterm" Association.

In regional scientific and technical policy in relation to Siberia and the far east, special emphasis must be placed on the implementation of labor saving measures. For instance, at gas pumping stations, if appropriate automation systems were created in good time it would be possible to get by with a minimum of permanent servicing personnel and save R 15-20 million on housing construction for just one station. Unfortunately there are too many cases where serious preliminary planning and design work on deposits is not carried out. A saving of R1 million on this task costs--without exaggeration--tens and hundreds of millions. This was the case with the establishment of the South Yakutia coalfield, where capital investments increased fivefold compared with the initial figures.

The CPSU Central Committee and USSR Council of Ministers resolution provides for the elaboration of special scientific and technical programs. One of the first to be prepared, in our view, must be a program for Siberia. Considerable scientific groundwork has been carried out in the USSR Academy of Sciences Siberian Department. Here, jointly with ministries and departments and departments of the V. I. Lenin All-Union Academy of Agricultural Sciences and the USSR Academy of Medical Sciences, 30 specific problems are being elaborated with the aim of utilizing the best achievements of science and technology. The USSR State Committee for Science and Technology should set up a special subdepartment responsible for the elaboration and implementation of a scientific program.

[LD121255] Another major program is the industrialization and specialization of construction, making use of modern readymade structures. Today every seventh ruble of the country's capital investments is directed beyond the Urals. The volume of investments is increasing from year to year, but efforts are not being made to strengthen the construction base. There is a vast gulf here. In the existing situation, for instance, in Krasnoyarskiy Kray it will take 19 years to finish all the projects already begun, without starting on any new ones. In many regions of Siberia plans for the construction of housing and cultural and consumer institutions are systematically failing to be fulfilled.

Considering the enormous volume of work, especially in expanding the fuel and energy base and improving the transport system, it is necessary to draw general attention to the problem of construction in Siberia. It is expedient to create a real construction industry within the context of the plan. In developing west Siberian oil and gas deposits, positive experience has been accumulated in integrated modular construction. Although this experience is already 15 years old, it has so far not been adopted in a single other region of Siberia. In a word, there is still no strategy for assimilating new regions with the preliminary creation of a powerful backup services base to produce prefabricated components [elementy zavodskoy gotovnosti] and with installation detachments which rapidly erect production buildings in uninhabited areas and equip comfortable housing settlements.

A long-term program is needed for forming a unified transport system. At present the situation is as follows: As a rule, arterial lines are laid from north to south for a specific task. But the traffic density on latitudinal mainlines is constantly growing, and the speed with which freight is delivered is declining. In Lesosibirsk I saw with my own eyes stacks of excellent timber which have been awaiting delivery to consumers for 5 years. It is clear that Siberia needs new latitudinal mainlines and outlets to the country's European region. The BAM provides a second outlet to the far east. It must be extended to the west.

It is now clear to economists that the decision of the ministries of transport construction and railways, which 10 years ago rejected the restoration of the line which used to run from Salekhard to Nadym and then on to Urengoy, involved the country in losses amounting to billions, at least. Yet this would have been a wonderful latitudinal mainline.

The development of roads particularly requires a long-term strategic approach. One example: Along the BAM route a wide highway is being installed which is needed for work on the railroad bed. About R300 million will be spent on it. In the future it will not, of course, be needed by the Ministry of Transport Construction, but natural resources in the Baykal-Amur railroad zone cannot be developed without it. It is clear that some further funds must be spent and this temporary route must be turned into a permanent one and given over to motorists. The BAM main construction administration is prepared to build this road: A customer and funds are needed. The question has been outstanding for 5 years now.

There is currently no organ which can engage in forming a unified transportation system. Yet, here more than anywhere, everything should be interconnected. Surely two of the country's largest ports, Nakhodka and Vostochnyy, cannot be based on a single-track railroad which is always overcrowded? Economists have long been suggesting the organization of an intersectorial government organ responsible for a unified transportation system for the country. There is no doubt that sooner or later there will be such an organ. And it is very important that provision be made in it for a subdivision to engage professionally in forming Siberia's transportation system.

The final thing I want to talk about is the social development of Siberia, the formation of manpower and the improvement of living standards here. Of all the things I have mentioned this is probably the most important. There was a time when more people were leaving Siberia than coming here. The population has grown, it is true. After all, people in Siberia are younger, and the birth rate is higher. The party and government have taken special steps: regionalized allowances for northern regions has been improved and housing and social and consumer service construction has been expanded. Large-scale measures for improving the people's well-being have begun to be implemented primarily in Siberia and the far east. This has had an immediate effect. Every year now the Siberian regions fill with new arrivals.

[LD121257] However, population migration is still very great. To keep manpower, additional steps must be taken. The main task here, in our view, is to expand housing and sociocultural construction and to eliminate the growing gap between purchasing power and material provision. A particularly grave situation with respect to housing and social and consumer service construction has taken shape in the regions of the west Siberian oil and gas complex. This area has perhaps the country's lowest level of housing availability. At the same time the west Siberian oil and gas program is the largest in the country. In terms of both results and expenditure it is bigger than the BAM, the Kama truck plant, the Volga automobile plant and the Atommash taken together. But expenditure is recouped at an unparalleled rate here, in approximately 1 year. These regions ultimately supply almost the entire country with heat and energy.

To create such a colossus over 0.5 million people had to be attracted here. Hundreds of thousands more new workers will have to be attracted here. Given such scales, the Tyumen workers cannot fully resolve the housing and social and consumer services construction by their own efforts alone. We are convinced that the aid of the entire country and above all its central regions is needed here. It is expedient to build up housing and social and consumer service construction simultaneously in all regions of Siberia.

As we can see, there are many complex tasks to be resolved, but the main point is that conditions are prepared for this solution. The country has the necessary manpower and facilities. As the 25th congress said, it is entirely a question of organization. In this connection I should like to draw attention to questions of territorial management. The CPSU Central Committee resolution "on further improving the economic mechanism, and the tasks of party and state organs" envisages the elaboration of proposals for further improving management's organizational structure. These proposals are particularly important with respect to the eastern regions.

So in Siberia it is expedient to single out four major regional programs: The development of the west Siberian oil and gas complex; the formation of energy industry complexes on the Angara and the Yenisey, including the Kansk-Achinsk fuel and energy complex; the economic development of the BAM zone; and the creation of an agroindustrial complex in the southern regions of Siberia and the further growth of agricultural production.

What organizational forms would I like to see for the implementation of these regional programs? Some experience does exist. In implementing the program for the Urals-Kuznetsk combine, a government bureau was created under the leadership of V. V. Kyubyshev. Centralized leadership of the BAM is proving successful. It is expedient to control the fulfillment of regional programs in a similar way, with a fully empowered representative of the USSR Council of Ministers available locally to resolve intersectorial problems.

In our view regional territorial and regional planning institutes should be set up using an existing base--for example, the industrial construction scientific research and design institute--and assigned the functions of overall planner for the most important projected complexes. Then the organs implementing regional programs would acquire scientific and planning support.

The CPSU Central Committee and USSR Council of Ministers resolution on improving the economic management mechanism marks a new stage in improving the planning and management of the entire economy. There is no doubt that this will give tremendous impetus to the further development and utilization of the rich resources of Siberia and the far east.

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